Leaders in the U.S. House recently released a tax plan that would dramatically shape tax and spending policy for decades to come. This tax plan is moving extremely rapidly. The House is expected to vote the week of November 13 and the Senate is expected to vote on its tax plan after Thanksgiving.

If passed, this tax plan would have a devastating impact on the federal budget, resources for federal programs and priorities, and further exacerbate America's income inequality. <u>The three points to keep in mind about this bill are:</u>

1. **This tax plan is fiscally irresponsible, surging the federal deficits and debt. This bill threatens the fiscal future of our country and the future funding of important federal programs, services, and priorities.**
2. **This tax plan disproportionately benefits high-income households and corporations while leaving behind low- and moderate-income families**.
3. **This tax plan makes harmful changes to the EITC, the Child Tax Credit, and the American Opportunity Tax Credit, preventing many low-income individuals and families from claiming these credits, which have a proven track record of reducing poverty and promoting economic mobility.**

What specifically is in the House proposal? Here are some of the key pieces:

1. **Balloons the deficit by more than $1.5 trillion over ten years.** The increased deficits and debt will lead to spending cuts in essential federal programs as Congress tries to balance the budget.
    a. The rising deficits and debt will put tremendous pressure on Congress to cut Medicare, Medicaid, SNAP (food stamps), environmental protection, housing assistance, job training, education, scientific research, international peacebuilding, and countless other federal programs and services.
2. **Makes the tax code more regressive**.
    a. ***Gives millionaires a tax break***. All income earned between $480,000 and $1 million is taxed at the lower 35% rate, rather than the current 39.6%. This is a $24,000 tax cut.
    b. ***Nearly eliminates and then fully repeals the estate tax***. Under current law, only the wealthiest 0.2% of estates pay the estate tax.
    c. ***Provides a huge tax cut for pass-through businesses***. 88% of the benefits for this tax cut go to the top 1%. This provides another avenue for executives and high-earners in partnerships, sole proprietorships, and S corporations to lower taxes on their salaries.
    d. ***Cuts corporate tax rates***, where the benefits will go mostly to CEOs and shareholders, not workers.
    e. ***Raises the lowest tax rate*** from 10% to 12%
    f. While it nearly doubles the standard deduction, it ***eliminates the personal exemption***.
3. **Incentives companies to shift profits and investments overseas**.
    a. ***Cuts the tax rate for multinational foreign profits*** to 10% while the tax rate on domestic profits is at 20%.
4. **Leaves behind low- and moderate-income families**.

a. The proposal increases the Child Tax Credit by $600 per child and raises the cap at which families can claim the credit. ***Thus, households earning between $150,000 and $300,000 can now claim the credit. However, low-income households get absolutely no benefit***. The CTC is partially refundable, allowing working families that don't earn enough to owe income tax to receive a partial benefit. Because this proposal does not expand the refundability of the credit, ***10 million kids in low-income working families get no benefit from this proposal. Another 13 million kids get only a very modest benefit increase***.

5. **Cuts and eliminates critical tax benefits for low- and moderate-income families.**
   - **a.** ***Denies the Child Tax Credit and American Opportunity Tax Credit (AOTC) to many immigrant families***. The CTC helps offset some of the costs of raising a child. The AOTC helps support higher education. By requiring a Social Security Number to claim the CTC or AOTC instead of an Individual Taxpayer Identification Number, many families will no longer be able to claim these credits. This will cut 3-5 million children from the CTC. 80% of those children affected are U.S. born citizen children. The other 20% are Dreamers.
   - **b.** ***Makes it harder for low-income families, particularly small business owners and self-employed parents, to claim the EITC.*** The EITC prevents more than 6 million Americans from falling into poverty, including more than 3 million children. It encourages and rewards work while promoting economic mobility. The House tax plan establishes new administrative burdens for self-employed individuals and small business owners to be able to claim the credit, requiring significantly more paperwork, documentation, and understanding many minute details of the tax code.
   - **c.** ***Eliminates the student loan interest deduction***.
   - ***d.*** ***Eliminates the deduction for high medical expenses.*** Currently, if medical expenses exceed 10% of your income, you can deduct that. Eliminating this deduction will especially hurt people with disabilities, the elderly, and nursing home residents.
   - **e.** ***Eliminates the adoption tax credit***. Currently, you can get up to $13,000 towards the cost of adoption.
   - **f.** ***Eliminates the New Markets Tax Credit***. The New Market Tax Credit encourages businesses to invest in economically depressed communities. The tax plan eliminates it.
6. **Threatens state and local budgets** by eliminating the state income tax deduction and capping the deduction for state property taxes.
   - a. This tax plan not only punishes higher tax states, it will make it harder for states to raise state income or property taxes. Thus, when state budgets get tight, the states will be more likely to cut services or turn to increasing regressive taxes, such as sales tax.
7. **Hurts charities and non-profit organizations.** Far fewer people will be itemizing their taxes due to the larger standard deduction so few people will be able to take advantage of the charitable deduction.

What can you do? Contact Congress today. **Tell your representative and senators to reject H.R. 1, the Tax Cuts and Jobs Act, or similarly concerning legislation. Urge them to vote against any tax plan that:**

1. **Increases the deficit**
2. **Leaves out low- and moderate-income families**
3. **Makes harmful changes to the EITC and Child Tax Credit**.